PROVINCE OF BRITISH COLUMBIA

Eighteenth Annual Report

of the Business Done in Pursuance of the

Pension (College) Act

YEAR ENDED AUGUST 31

1986

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The Honourable ROBERT G. ROGERS
Lieutenant-Governor of the Province of British Columbia.

MAY IT PLEASE YOUR HONOUR:

The undersigned respectfully submits the Report of the business done in pursuance of the *Pension (College) Act* during the fiscal year ended August 31, 1986.

ELWOOD N. VEITCH
Provincial Secretary and
Minister of Government Services

Office of the Provincial Secretary and
Minister of Government Services
Victoria, British Columbia
June 22, 1987

The Honourable Elwood N. Veitch
Provincial Secretary and
Minister of Government Services
Victoria, British Columbia.

SIR,

I have the honour to lay before you the Report of the business done in pursuance of the *Pension (College) Act* during the fiscal year ended August 31, 1986.

Respectfully submitted,

JOHN W. COOK
Superannuation Commissioner

June 22, 1987

PENSION (COLLEGE) ACT

ANNUAL REPORT

Report of the business done in pursuance of the *Pension (College) Act* for the fiscal year ended August 31, 1986

Section 3 — All monies received and paid out under the provisions of this Act are shown in the statement of changes in fund balance and all assets and liabilities are shown in the statement of financial position. These financial statements are attached to this report.

Section 4 — Inflation adjustment supplements totalling $353,544 ($284,627 in 1984/85) were charged to the Contributory Pensions Account. The annual increases are tied to the consumer price index and are payable to the extent that the capitalized value is available in the Inflation Adjustment Account. For this purpose, employee and employer contributions each at the rate of 1.00% of salary and interest earnings attributable to funds held for the payment of superannuation allowances in excess of the rate assumed by the actuary are allocated to the Inflation Adjustment Account.

Section 5 — During the year 41 eligible employees were, upon application, declared to be exempt from becoming contributors.

As at August 31, 1985 there were 2,562 active contributors (1,715 male, 847 female). In addition, there are 494 contributors with deferred vested pension rights and 71 inactive contributors.

Section 6 — Employee contributions amounted to $6,162,610 made up as follows:

	$
Basic Contributions	5,116,462
Inflation Adjustment Contributions	1,004,516
Voluntary Contributions	4,316
Arrears	37,316

Section 8 — Employer contributions amounted to $6,158,294.

Section 12 (1) — During the year 66 allowances were granted. There were 380 allowances in force as at August 31, 1986. Comparative statistics of allowances granted and in force are shown on Schedule 3 attached to this report.

Section 12 (3) — There were 3 transfers to and 1 transfer from approved employers.

Section 13 — Transfers totalling $1,330 were received from one reciprocal employer upon grant of allowance as follows:

	$	
Public Service Superannuation Fund	1,330	*re* 1 employee

Transfers totalling $113,487 were transferred to three reciprocal employers upon grant of allowance as follows:

	$	
Government of Canada Public Service Pension Account	105,850	*re* 2 employees
Municipal Superannuation Fund	353	*re* 1 employee
Teachers' Pensions Fund	7,284	*re* 1 employee

Section 18 — Refunds amounting to $1,149,772 were granted to 133 employees upon resignation, death or dismissal.

Section 23 — An actuarial valuation of the Fund was carried out as at August 31, 1985. The valuation indicates that the unfunded liability of the Plan was about $60,891,000 as at August 31, 1985. The actuary has recommended that the statutory contribution rates under the Plan be increased to ensure stable contribution rates in the future. Statutory amendments to improve the financing of the supplementary allowances were enacted in 1980, as previously described.

Section 24 — Administration and actuarial expenses paid from the Fund amounted to $84,356. Investment management fees paid to the Minister of Finance amounted to $115,909.

The Provincial Treasury provides investment management services to the Fund, including safekeeping and registration of securities.

Section 27 — The par value of long-term investments held by the trustee as at August 31, 1986 amounted to $57,868,000 ($37,868,000 — 1985), as set out in the attached Schedule 1. Short-term investments held at that date amounted to $101,328,468 ($96,687,027 in 1985.)

An Investment Advisory Committee, consisting of the Superannuation Commissioner and the Director, Finance, Superannuation Commission, together with representatives from the Ministry of Finance meets on a quarterly basis during the year and sets guidelines and policy under which investments may be purchased and sold.

The investment strategy followed for most of 1985/86 recommended a portfolio of 70% long-term and 30% short-term. This was to be accomplished by investing 100% of new cash in the money market. In order to achieve this mix, 100% of the new cash flow was to be invested in the five to ten year sector of the bond market.

JOHN W. COOK, F.C.I.A.
Superannuation Commissioner

AUDITOR'S REPORT

To the Superannuation Commissioner, Trustee, and
To the Provincial Secretary and Minister of Government Services
Province of British Columbia:

I have examined the statement of financial position of the College Pension Fund as at 31 August 1986 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 August 1986 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

ROBERT J. HAYWARD, C.A.
Acting Auditor General

Victoria, British Columbia
9 December 1986

COLLEGE PENSION FUND

STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 1986

	1986	1985
ASSETS	($ Thousands)	
Cash	514	2,822
Contributions receivable	1,103	1,123
Accrued interest	5,042	4,075
Investments		
Short-term	101,329	96,687
Long-term (Note 3)	57,212	37,403
Deferred losses less gains on sale of investments (Note 4)	507	557
	165,707	142,667
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued liabilities	107	104
Fund Balance		
Basic Account	149,941	130,113
Inflation Adjustment Account	15,659	12,450
	165,600	142,563
	165,707	142,667

The six accompanying notes are an integral part of these financial statements.

Approved by:

JOHN W. COOK, F.C.I.A.
Superannuation Commissioner, Trustee

VICTOR BARWIN, C.A.
Director, Finance, Superannuation Commission

COLLEGE PENSION FUND

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED AUGUST 31, 1986

	Basic Account	Inflation Adjustment Account	Totals 1986	Totals 1985
		($ Thousands)		
Fund Balance Increased by				
Contributions				
Employees				
Basic	5,116	—	5,116	5,205
Inflation adjustment	—	1,005	1,005	1,008
Voluntary	4	—	4	7
Arrears	37	—	37	42
	5,157	1,005	6,162	6,262
Employers				
Basic	5,116	—	5,116	5,205
Inflation adjustment	—	1,005	1,005	1,008
Arrears	37	—	37	45
	5,153	1,005	6,158	6,258
Transfers from other funds	2	—	2	3
Income from investments	13,381	1,250	14,631	13,478
	23,693	3,260	26,953	26,001
Fund Balance Decreased by				
Superannuation allowance payments				
Contributory	2,072	—	2,072	1,687
Inflation adjustment supplements	353	—	353	285
	2,425	—	2,425	1,972
Refunds	1,001	149	1,150	1,437
Transfers to other funds	107	6	113	114
Medical Plan premiums	28	—	28	22
Administration and actuarial expenses	84	—	84	68
Investment management fees	106	10	116	94
	3,751	165	3,916	3,707
Net Increase Before Transfers	19,942	3,095	23,037	22,294
Transfers (Note 5)				
Capitalized value of inflation adjustment supplements granted ($414—1985)	537	(537)	—	—
Capitalized value of indexing of highest average salary (Nil—1985)	220	(220)	—	—
Excess Interest ($523—1985)	(857)	857	—	—
Other ($6—1985)	(14)	14	—	—
	(114)	114	—	—
Net Increase in Fund Balance	19,828	3,209	23,037	22,294
Fund Balance at Beginning of Year	130,113	12,450	142,563	120,269
Fund Balance at End of Year	149,941	15,659	165,600	142,563

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 1986

1. Description of the College Pension Plan

The following brief description of the plan is provided for general information only. For more complete information, reference should be made to the plan.

(a) General

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. The plan is open to full-time faculty members of a college or college council in British Columbia, other faculty members whose application has been approved by the employer, and full-time senior administrative employees who are required by the employer to become a contributor. Full-time faculty members may apply within one month of date of appointment to be exempted from contributing to the plan.

(b) Contributions

Members and employers each contribute to the Basic Account 4-1/2% of salary up to the year's maximum pensionable earnings and 6% of salary in excess of the year's maximum pensionable earnings. They also each contribute 1% to the Inflation Adjustment Account which was created in 1980 to provide for the payment of inflation adjustment supplements.

(c) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service, at age 60 with a minimum of 10 years contributory service and at age 65 with less than 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service, and at age 60 with less than 10 years contributory service.

The plan provides a pension of 2% per year of service up to a maximum of 70% prior to age 65 of the average salary earned in the five highest earning years before retirement. At age 65, date of death or disability, there is a reduction in the formula as a result of the integration with the Canada Pension Plan (the CPP offset).

Increases in the inflation adjustment supplements are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. The capitalized value of the increases shall not exceed the funds available in the Inflation Adjustment Account. At January 1, 1986 there were sufficient funds available to provide a full CPI increase of 4.1% (3.8% in 1985) to the basic lifetime portion of the contributory superannuation allowances in force.

(d) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit are entitled to a deferred pension benefit.

(e) Other Benefits

Disability and Survivor benefits are available under the plan.

2. Significant Accounting Policies

(a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at August 31, 1986 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 6 below.

(b) Investments

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1986—*Continued*

2. Significant Accounting Policies — *Continued*

(i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.

(ii) Discounts on serial bonds are recognized as income when redemptions occur.

Short-term investments are carried at cost of acquisition.

(c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

3. Long-Term Investments

Long-term investments held at the end of the year are as follows:

	1986	1985
	$	$
	($ Thousands)	
Book Value	57,212	37,403
Par Value	57,868	37,868
Market Value	58,621	34,846

4. Deferred Losses Less Gains On Sale of Investments

	1986	1985
	$	$
	($ Thousands)	
Balance at beginning of year	557	598
Amortization for the year	50	41
Balance at end of year	507	557

5. Transfers

The Basic Account is increased by the capitalized value of inflation adjustment supplements and the capitalized value of the indexing of the highest average salary calculation for employees electing deferred pensions during the year. This latter provision results from a legislative change made in 1986.

The Inflation Adjustment Account is increased by income that is earned on assets held in the Basic Account in respect of pensioners being paid, and which is in excess of income calculated using the interest rate assumed by the actuary.

6. Actuarial Valuation

According to the *Pension (College) Act*, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary upon request by the Superannuation Commissioner.

The most recent valuation was carried out as at August 31, 1985. The valuation indicated an unfunded liability in respect of basic pension benefits of $60,891,000 as of August 31, 1985, compared to $45,422,000 as of August 31, 1981, the date of the previous valuation. The increase in the unfunded liability was caused mainly by inadequacies in the statutory contribution rates.

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1986—*Continued*

6. Actuarial Valuation — *Continued*

The actuaries stated that they did not see the increase in the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners nor to the financial health of the pension plan, provided the statutory contribution rates are increased from their current combined rate of 12% of total salaries to a combined rate of about 15.04% of total salaries.

The contribution level recommended by the actuaries was determined under a "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls.

COLLEGE PENSION FUND

SCHEDULE 1

LONG-TERM INVESTMENTS HELD AS AT AUGUST 31, 1986

	Par Value $	Book Value $	Market Value $
Government of Canada	2,067,000	1,929,204	2,361,510
Province of British Columbia guaranty			
B.C. Hydro and Power Authority	28,939,000	28,670,180	29,618,361
B.C. Railway Company	6,487,000	6,462,060	6,477,532
B.C. School Districts Capital Financing Authority	290,000	289,200	274,235
Peachland Irrigation Improvement District	50,000	50,000	44,475
Province of Ontario guaranty			
Ontario Hydro	20,035,000	19,811,729	19,844,545
	57,868,000	57,212,373	58,620,658
1985 Comparisons	37,868,000	37,402,667	34,846,269

COLLEGE PENSION FUND

SCHEDULE 2

INVESTMENT INTEREST AND TRANSACTIONS

Comparative Statistics, September 1, 1976 — August 31, 1986

Year Ended August 31	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Net earned rate of the fund[1]	% 8.988	% 9.028	% 9.429	% 10.213	% 12.191	% 13.536	% 11.277	% 10.341	% 10.772	% 9.894
Average rate of return of long-term investments purchased in year	9.530	9.645	10.064	12.125	—	16.994	12.694	11.410	—	9.168
Income from investments[1]	$ 1,319,250	$ 1,867,737	$ 2,622,542	$ 3,800,316	$ 5,865,290	$ 7,679,157	$ 9,597,167	$ 10,846,059	$ 13,477,995	$ 14,631,163
Long-term investment transactions										
Purchases (Par Value)	7,226,000	4,968,000	6,887,000	9,306,000	—	750,000	4,960,548	1,300,000	—	20,000,000
Maturities and Sales (Par Value)	20,000	76,000	—	—	—	1,030,000	—	7,260,548	51,000	—
Net Increase (Decrease)	7,206,000	4,892,000	6,887,000	9,306,000	—	(280,000)	4,960,548	(5,960,548)	(51,000)	20,000,000
Short-term Increase (Decrease)	(1,800,000)	1,839,500	1,300,500	414,648	12,946,023	20,553,977	10,709,003	26,788,797	20,489,227	4,641,441
Fund balance at end of year	17,905,568	24,672,955	33,170,040	44,601,411	59,646,451	78,033,312	99,153,249	120,269,128	142,562,848	165,599,592

[1] Restated for 1981 and subsequent years to include Inflation Adjustment Account, which commenced October 1, 1980.

COLLEGE PENSION FUND

SCHEDULE 3

Comparative Statistics — August 31, 1977 to August 31, 1986

Fiscal Year	Number of Contributors[3]	Contributions			Employee Refunds		Superannuation Allowances			
		Employer	Employee		Number	Amount	Granted During Year	Deaths & Expirations	In Force at End of Year	Amount Paid
			Regular	Voluntary						
		$	$	$		$				$
1977	2,043	2,063,357	2,063,357	10,756	93	146,503	7	—	22	148,854
										13,471[1]
1978	2,336	2,455,294	2,455,294	20,425	79	150,326	9	—	31	220,757
										26,971[1]
1979	2,565	3,008,957	3,008,957	10,042	103	188,100	10	—	41	262,193
										47,354[1]
1980	2,832	3,489,501	3,489,501	6,457	111	262,612	34	—	75	462,798
										75,640[1]
1981	3,065	4,982,197	4,982,197	8,846	174	567,479	34	—	109	653,679
										117,618[1]
1982	2,735	5,875,032	5,874,313	3,515	167	658,071	45	1	153	949,564
										57,948[2]
1983	3,197	6,449,440	6,453,962	3,140	103	341,346	39	—	192	1,082,801
										154,718[2]
1984	3,152	6,453,563	6,453,563	2,640	163	923,789	65	—	257	1,343,982
										226,478[2]
1985	3,079	6,257,966	6,254,221	7,423	189	1,436,662	59	—	316	1,686,831
										284,627[2]
1986	3,127	6,158,294	6,158,294	4,316	133	1,149,772	66	2	380	2,071,721
										353,544[2]

[1] Cost of living supplementary allowances.
[2] Inflation Adjustment supplementary allowances, commencing January 1, 1982.
[3] Includes active, inactive, voluntary and fully vested contributors.

COLLEGE PENSION FUND

SCHEDULE 4

Normal Allowances Granted September 1, 1985 to August 31, 1986

SUBDIVIDED BY YEARS OF SERVICE AND VALUE OF ALLOWANCE

Years of Service	Number of Allowances Granted	Average Salary During Last Five Years	Average Annual Allowance on Single Life Plan	Average Value of Allowance	Average Employee Share	Average Employer Share
		$	$	$	$	$
Under 10 years	21	37,609	4,452	50,946	20,018	30,928
10–14	19	38,965	7,392	75,862	31,277	44,585
15–19	13	43,226	11,967	266,524	133,155	133,369
AVERAGE OF NORMAL ALLOWANCES GRANTED DURING YEAR:						
	62 (Age)	39,497	7,349	112,756	51,805	60,951
TOTAL VALUE OF NORMAL ALLOWANCES GRANTED DURING YEAR:						
	53	2,093,352	389,511	5,976,065	2,745,661	3,230,405

SUBDIVIDED BY YEARS OF SERVICE AND AGE AT RETIREMENT

Years of Service	Age at Retirement											Total	Per Cent
	55	56	57	58	59	60	61	62	63	64	65		
Under 10 years	1	1	1	2	—	6	3	—	—	—	6	20	38
10–14	1	—	1	—	1	3	1	3	4	—	6	20	38
15–19	—	—	1	1	1	2	3	1	—	1	3	13	24
Total	2	1	3	3	2	11	7	4	4	1	15	53	
Per cent	4	2	6	6	4	21	13	7	7	2	28		100

Allowances Other Than Normal Granted September 1, 1985 to August 31, 1986

Number of Allowances Granted	Death	Disability	Deferred
13	1	3	9

COLLEGE PENSION FUND

SCHEDULE 5

Approved and Reciprocal Employers as at August 31, 1986

APPROVED EMPLOYERS

Section 12 (6) provides for the granting of a deferred allowance to a contributor who within three years of making his last contribution to the Fund enters the employment of one or more of the following employers, remains in employment long enough to qualify for a monthly pension benefit and has at least 10 years combined contributory service under this plan and the pension plan of the approved employer —

	Effective Date
Government of Canada	July 1, 1973
Any employer to whom the *Pension (Public Service) Act* applies	July 1, 1973
Any employer to whom the *Pension (Teachers) Act* applies	July 1, 1973
University of British Columbia	July 1, 1973
University of Victoria	July 1, 1973
Simon Fraser University	July 1, 1973
Ontario Teachers' Superannuation Plan	January 26, 1982
Plumbing and Pipefitting Workers Local 170 Pension Plan	April 20, 1982

AGREEMENTS NEGOTIATED WITH OTHER EMPLOYERS

Section 12 (3) provides that the Superannuation Commissioner may enter into an agreement for the transfer of funds in respect of an employee who transfers to or from the service of the following employers —

Government of Canada	June 22, 1973
Ontario Teachers' Superannuation Plan	September 22, 1983

RECIPROCAL EMPLOYERS

Section 12 provides for the method of calculating the monthly pension benefit of an employee who within three years of making his last contribution to the Fund transfers to or from the service of the following British Columbia reciprocal employers and commences contributing to the pension plan —

An employer under the *Pension (Public Service) Act*	July 1, 1973
An employer under the *Pension (Teachers) Act*	July 1, 1973
An employer under the *Pension (Municipal) Act*	July 1, 1973
Workers' Compensation Board	June 3, 1974

COLLEGE PENSION FUND

SCHEDULE 6

Approved Group Disability Salary Continuance Plans as at August 31, 1986

APPROVED EMPLOYERS

Section 1 of the *Pension (College) Act* provides for the approval of a group disability salary continuance plan by the Provincial Secretary. Section 11(2) provides that any period during which a contributor receives benefits from an approved plan, is treated as a period of pensionable service for the purposes of the *Pension (College) Act* in respect of the following employers —

	Effective Date
Camosun College	March 27, 1975
Capilano College	June 4, 1979
Cariboo College	April 2, 1984
Douglas College	July 30, 1979
East Kootenay Community College	July 9, 1980
Fraser Valley College	February 17, 1982
Justice Institute of B.C.	August 3, 1979
Kwantlen College	March 24, 1983
Malaspina College	August 3, 1982
College of New Caledonia	April 30, 1979
Northern Lights College	June 8, 1979
North Island College	August 6, 1981
Northwest Community College	October 29, 1979
Okanagan College	February 4, 1977
Open Learning Institute	December 18, 1979
Pacific Marine Training Institute	July 31, 1985
Pacific Vocational Institute	April 9, 1979
Selkirk College	April 9, 1984
Vancouver Community College	June 6, 1979

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